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UNPACKING THE GLOBAL CRISIS: Neo-liberalism, Financial Crises, and Authoritarian Liberalism^{*}

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ABSTRACT

The paper hopes to contribute to a reading of the political economy of the current global crisis with a focus on four interrelated themes. First, we discuss the *constitutive* role and *functional* character of crises in the evolution of neo-liberalism in particular and in capitalist reproduction in general. Second, we investigate the mechanisms by which financial crises recur by highlighting the *structure-agency dynamics* in finance capitalism; specifically, the structural tendency of financial markets to disintegrate that has been exacerbated by misbehaviour of economic agents. Third, we look at opposing crisis responses—from multilaterals to regional organisations to global civil society—and realise that responses from either pro-neoliberal or anti-neoliberal forces are *fundamentally the same* through the years, simply re-articulating analyses and programmes that they have respectively pursued and advocated long before the global crisis. And fourth, in the context of East and Southeast Asia, we examine the tendencies of the global crisis vis-à-vis the strengthening and even acceleration of emergent *authoritarian liberalism* in the region despite and because of the global crisis.

Introduction

The world is under a cacophony of crises. There have been simultaneous crises in finance, production, food, environment, climate, energy, and governance over the last three decades which have culminated in the current deep recession. Since the subprime crisis became apparent in August 2007 with the US officially hitting recession by December of the same year, the epicenter of the financial earthquake has not left other economies unharmed, spilling over both in the developed and developing worlds. The crisis has thus become a global phenomenon, now to be recognised in history as the ‘Great Recession of 2008’. While crisis moments in capitalism have been viewed traditionally as a conjunctural phase, today actors from various ideological positions perceive the situation in the ‘Chinese way’ as both danger and opportunity—i.e., an opportune moment to advance their respective interests and not as a structural and more fundamental problem of the capitalist mode of production.

Crisis connotes ‘the turning point of a disease when an important change takes place, indicating either recovery or death’—or as Karl Polanyi (1944) would have said: a ‘double movement’ whereby the expansion of market relations generates reactions from the society to

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protect itself from the consequences of the very operation of the allegedly self-regulating market. As to whether the cacophony of crises would lead to the recovery or death to the hegemonic capitalist, neo-liberal system is a political economy question to be determined by the unfolding struggle between the forces for recovery and the forces for change.

The aim of this paper is to contribute to a reading of the political economy of the current global crisis with a focus on four interrelated themes. The first part attempts to situate the global crisis against the background of the relationship between crises and neo-liberalism. Here we examine the constitutive role of crises in the evolution of neo-liberalism, and argue that crises have been functional to capitalist reproduction. Second, the paper investigates the mechanisms of the recurrence of financial crises under conditions of global capitalism. In doing so, we present a structure-agency dynamics in finance capitalism; specifically, the structural tendency of financial markets to disintegrate that has been exacerbated by misbehaviour of economic agents. Third, the focus shifts to the various crisis responses coming from opposing ideological positions. Here the argument is that the responses of both pro- and anti-neoliberal forces are fundamentally the same through the years, re-articulating analyses and programmes that have been pursued and advocated long before the global crisis. And fourth, the prospects and future of emergent authoritarian liberalism in East and Southeast Asia are analysed in the context of the current global crisis. One of the lessons of the Asia financial crisis might be seen as a case for a probable strengthening and even acceleration of authoritarian liberalism despite and because of the global crisis.

The Constitutive Role and Functional Character of Crises in the Evolution of Neo-liberalism (1970s-2009)

Crises have played a constitutive role in the history of capitalist development. Neo-liberalism, which is the political-economic development paradigm that replaced the postwar Keynesian-Fordist, mass production-mass consumption national developmentalism phase in the global political economy of development, has also survived by capitalism's cycle of crises and booms.

The relationship between crises and neo-liberalism can be said to be either dysfunctional or functional, or both. Every time neo-liberalism comes into crisis, its critics, mostly coming from the Left, get excited about its imminent collapse and the dawning of an alternative system. They view crises as having a dysfunctional effect to the system. However, the almost 40 year history of neo-liberalism suggests that crises have been more functional, rather than dysfunctional, to its perpetuation in terms of capitalist social relations, market-led development strategies, and neo-liberal state restructuring.

The constitutive role of crises in the life cycle of neo-liberalism refers to the fact that neo-liberalism: [a] was born out of the crises of the 1970s; [b] has evolved through a series of crises over the last 30 years; and [c] died of the cacophony of crises culminating in the current global economic crisis.

Neo-liberalism: Born out of the crises of the 1970s

Monocausal explanations about the emergence of neo-liberalism abound. These explanations do not go far enough simply because they fail to capture the complex processes involved and the dynamism of actors at play in the origin and evolution of neo-liberal

globalisation.

The neo-classical revolution (Toye 1987) became the main initiator of neo-liberal globalisation understood as a product of the complex interaction of forces, events, and phenomena and their mutually reinforcing tendencies that became more conspicuous during the crisis of the mid-1970s. A recession hit the developed capitalist economies in 1973 and thereafter extended to the less developed countries. The OPEC oil crisis coinciding with the US defeat in the Vietnam War and the collapse of the Bretton Woods system shook the world. This led to a situation where money became de-linked from the gold standard. The internationalisation of financial markets set in as a result of the gradual widespread abandonment of foreign exchange controls. Third World countries resorted to massive foreign bank borrowings, were subjected to IMF and World Bank conditionalities, and were thus required to cut state expenditure, devalue their currencies, and remove barriers to the free movement of capital. They also had to abandon their dream to be active catching-up economies in a supposedly new international economic order as they had to shift from import-substitution to export promotion development strategies. The alternative and challenge posed by command economies proved to be empty as they too faced growing stagnation. Global production was restructured towards post-Fordism and multinational corporations (MNCs) were growing while international financial capital gained an important role and threatened to supplant the importance of productive capital. ‘Sound’ macroeconomic policies through privatisation, deregulation, and liberalisation became the norm that resulted in, among others, the weakening of trade unions, the cutting of state budgets for social welfare and other entitlements, and the destruction of the developing countries’ manufacturing and agricultural bases. Information and communications technology (ICT) which grew out of the military industrial complex, was induced into the private sector in 1971 with the introduction of Intel’s microchip—it was advancing and became the new ‘techno-economic paradigm’ shaping production patterns, financial investments, as well as social relations.

As a result of the combined and uneven process of capitalist development in the era of neo-liberal globalisation, these developments triggered by the crisis of the 1970s in the world economy, have shaped to a large extent, but did not entirely determine, the political, economic, and cultural relations at the domestic levels. They have taken varying forms and effects from state to state within the spatio-temporal landscape of neo-liberalism.

Neo-liberalism evolving through crises—from crisis to crisis in the last 30 years

According to some estimates, there have been over 100 financial crises in the world in the last 30 years. Yet, notwithstanding these statistics, it is palpably evident that the majority of the peoples and societies in the world have long been in crisis. Crises have been inherent from the very birth of neo-liberalism to a series of transformations it has undertaken over the decades.

The global political economy of development since the 1960s could generally be characterised into three successive political-economic phases: national developmentalism from the postwar to the 1970s; the Washington Consensus from the 1980s to the mid-1990s; and the post-Washington Consensus from the mid-1990s to present. Each of these phases with concomitant paradigms came into serious re-strategising to cope with the major crises that confronted their legitimacy and very existence. True to form, as the Greek *krisis* aptly means ‘turning point in a disease’, every crisis compels the capitalist mode of production to

innovate and to transform itself to secure its hegemony.

The national developmentalism phase of capitalist development or the so-called ‘Golden Age’ from the 1960s to 1973 took the forms of Fordist régime of accumulation in the US and Western Europe, ‘populist’ import-substituting development in Latin America, and developmental states in East and Southeast Asia. By the early 1970s, the more than a decade ‘stability’ that the Golden Age brought to the capitalist world came to a severe jolt and the mass production – mass consumption techno-economic paradigm in the industrialised economies had been structurally exhausted (see Perez 2002). As stagflation reached unbearable heights by the mid-1970s, national developmentalism’s Keynesian approach of active state role in economic development through demand-side, fluctuations-mitigating monetary policies failed to realise the target of full employment and price stability and, more importantly, to sustain the harmony between productivity and real wage. The crises of the mid-1970s thus gave way to transform capitalism into a new development paradigm referred to as global neo-liberalism although at the same time allowing Listian state-led approaches in East and Southeast Asia according to their status as front-line states to Communism.

Neo-liberalism has often been divided into two distinct yet successive phases: the Washington Consensus (the first generation neo-liberal reforms) and the post-Washington Consensus (the second generation reforms). The difference between the two phases cannot be simply reduced into a state-versus-market debate, in which the Washington Consensus is said to be the subordination of states to markets and the post-Washington Consensus, on the other hand, promotes a complementary relationship between them. The state-versus-market debate or a zero-sum game between states and markets is hollow. By merely taking the transformation of capitalism at face value, it misses the historical reality that active state interventions to make markets work have been present from the very beginning of capitalist development. The difference between the two development paradigms lies not in form, but in the substantial agenda on goals and strategies. The Washington Consensus aimed to realise an open global market economy through structural adjustment programmes and sound macroeconomic policies of privatisation, deregulation, liberalisation, and financial reforms. The post-Washington Consensus, on the other hand, is a project towards the realisation of ‘universal convergence on competitiveness’ through deep institutional and behavioural reforms and policies on labour market flexibility, human capital, and social capital (see Cammack 2009a).

Aside from its dismal performance not only in the developed countries but especially in poor countries of Latin America, Africa, and Asia marked by declining growth rates, rising unemployment and the informalisation of labour, and race-to-the-bottom wage policies and labour standards, the Washington Consensus got into a major ideological crisis. In particular, its market fundamentalism ideology—that markets are efficient and government intervention in the economy is bad—came to blows with Keynesian economists like Joseph Stiglitz. In 1989, John Williamson, recognised for coining the term ‘Washington Consensus’, introduced the 10 neo-liberal policy reforms, namely: fiscal discipline, reordering of public expenditure priorities, tax reform, liberalisation of interest rates, competitive exchange rate, trade liberalisation, inward FDI liberalisation, privatisation, deregulation, and protection of property rights. But it only took less than four years for these reforms to be ideologically dismantled with the Stiglitz-led and Japanese financed policy report on the *East Asian Miracle* (1993), which provided empirical evidence of eight high performing Asian economies (Hong Kong, Indonesia, Japan, Malaysia, the Republic of Korea, Singapore, Taiwan, and Thailand) showing their success between 1965 and 1990 in realising high

growth and human development through limited state intervention (World Bank 1993).

Stiglitz advocated the Post-Washington Consensus project during his stint as senior vice president for development economics and chief economist of the World Bank from 1997 to 2000. With the aim of employing more policy instruments and broadening development goals, which is unlike the rather narrow macroeconomic policies and goals of the Washington Consensus, the post-Washington Consensus has promoted the use of ‘social variables’ to make ‘markets work better’ (Stiglitz 1998). Both in policy and discourse, ‘social capital’ has been peddled as the ‘missing link in development’. The use of social capital as a policy and ideological tool allows the World Bank and its affiliates to enlarge the circuit of capital, incorporating social variables that are traditionally left out in mainstream economics such as states, institutions, policy coordination, civil society, workers, culture, and family (Fine 2001; see also Cammack 2003). It likewise provided the Bank the framework to promote an agenda for sustainable development, egalitarian development, and democratic development. However, this begs the question: More policy instruments and broader development goals *for whom?* The answer is straightforward: as the 2002 *World Development Report* title goes ‘institutions *for* markets’.

Cacophony of Crises: RIP Neo-liberalism (1980s-2008)

As the post-Washington Consensus promotes more policy instruments and broader development goals, the current global crisis has revealed more crises and broader poverty curse. The world has been in crisis for longer than anyone would care to remember. It is currently under a cacophony of crises, among others, in: finance, food price (the Great Hunger of 2008), overaccumulation, overproduction, over- and/or under-consumption, climate change, ecological degradation, political legitimacy, global governance, oil and energy, and water. The recent global crisis is nothing but a culmination of the neo-liberal bust, of the cacophony of structural crises in the past now simultaneously wreaking havoc to economies, societies, families, and human life itself.

The demise of the Soviet Union indirectly favoured the spread of neo-liberalism to the extent that the ‘socialist’ alternative was removed from the equation of state-society relation. It ought to be recalled that regardless of what we may have thought about state-socialism, it is a fact that the Keynesian macro-economic model and the social-democratic project of the Welfare State were meant to counter the influence of socialism in the advanced capitalist nations of Western Europe and North America. The existence and presence on the world scene of the USSR as well as Maoist China also contributed to the decolonisation process in the former colonial empires and the emergence of the bourgeois-nationalist regimes. The question today is whether the crisis of hegemony in the world system as epitomised by the relative decline of the United States and the rise of the emerging countries—i.e., China, India and Brasil—opens a new phase in the history of capitalism as it is transforming the international division of labour and increasing potential resource-conflicts as Michael Klare (2002) would argue. In this connection it is important to ‘bring in’ the significance of war in the history of capitalism and especially of militarism in this stage of history and particularly ask whether this spells the end of the present unstable epoch of capitalism.

Has neo-liberalism died of the current cacophony of crises? Of course, the answer depends on what one means of neo-liberalism.

‘Neo-liberalism’ here refers to that specific form (market fundamentalism), that specific class relation (hegemony of capital over labour), that specific process of capital accumulation (using money to make more money), that specific configuration of capitalism (liberalism with new configuration), that specific phase of capitalist development with the ascendancy of financial cum productive capital (postwar), those specific sets of 10 economic reform policies enshrined in the SAPs (Washington Consensus). Neo-liberalism is basically ‘economic liberalism’ with ‘neo’/new configurations. It is this neo-liberal form and configuration of capitalism that has died, but not the substance of capitalism as a process of capital accumulation and relations in which labour is subordinated to capital. There is furthermore a need to emphasise that neo-liberalism, just as capitalism has always been, is a political project—that is, neo-liberalism depends on the intervention of the state (Polanyi 1944; see also Bugra and Agartan 2007). The dismantling of the welfare state could not have taken place without the weakening of labour through policies carried out by the state and this point has important implications for the eventual re-emergence of labour as a counter- and anti-capitalist force.

The proponents of neo-liberalism representing the dominance of private capital are all too aware of the crisis-prone and conflict-ridden nature of the capitalist system. Hence, neo-liberalism has always been promoted as a strategy for continued ‘de-regulation’ and at the same time a blueprint for crisis management. In the interest of capital accumulation and new profits they always look at crisis moments as perfect moments to further entrench, and never retreat from, neo-liberal institutions and practices. In the words of Michael Bruno former Chief Economist at the World Bank: ‘There is a growing consensus about the idea that a large enough crisis may shock otherwise reluctant policymakers into instituting productivity enhancing reforms’ (cf. Klein 2008: 311).

The rather upbeat attitude of the enthusiastic apologists for further neo-liberalisation does not necessarily come from ‘faith’ in the invisible hand or in the supposed harmony-creating mechanisms of the market but rather to promote the interests and power of private capital over labour and collective governance in the interest of the general public. The seeming complacency may have come from the historical fact that recessions do not last that long enough as to bring about the collapse of the system. In a recent study by the *National Bureau of Economic Research* (NBER), incidents of recessions in post-World War II, from 1948 to 2001, lasted only from six to 18 months (NBER 2008, as cited in Isidore 2008). Interestingly, the UN’s *Final Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms on the International Monetary and Financial System* (2009) observes that the short and easy recovery from previous recessions—i.e., short and easy enough as to take the needed reforms to be enforced—might be a crucial reason for understanding the recurrence of crises.

Take for example the neo-liberal responses to successive crises since the 1980s. When Latin America was in a deep debt crisis in 1982, IMF and pro-capitalist political forces imposed SAPs as conditionalities for rolling over debts, a harmful consequence of which was massive deindustrialisation and rise in unemployment, poverty and uneven development all over the region. In addition, the responses to several financial crises in the last 20 years—namely, Scandinavia (early 1990s), Mexico (1994), East & Southeast Asia (1997), Russia (1998), Argentina (2001), Turkey (2001-2002), US subprime mortgage (2007), the Great Recession (2008)—have had as their overarching theme an open ‘international financial architecture’ through regulatory institutions that guarantee the domestic and global rights of private capital. Despite acknowledgement of the usefulness of some capital controls (like in

the cases of Chile and Malaysia), the IMF and neo-liberal forces further promoted policies toward effective neo-liberal regulation to smoothen adjustment to the supposed openness of the international financial system (e.g., IMF's surveillance mechanism).

Further, the 2007-2009 US Subprime/Credit crisis was responded through bailouts and stimulus packages. In his account of the history of neo-liberalism, David Harvey (2005) sees post-WWII neo-liberalism, as an attempt at consolidating and restoring capitalist class power. The Reagan-Thatcher configuration of capitalism promoted a new phase of ideological assault on the working class. The Bush-Paulson-Bernanke-Obama bailouts programme, for instance, is therefore reminiscent of the birth of neo-liberalism. It is an attempt to consolidate and restore the power of corporations, assure the ascendancy of finance capital, and hence save capitalism from its own destruction. As Wade and Veneroso (1998) puts it, citing the Asia crisis as a case in point, but still very apt today: 'Financial crises have always caused transfers of ownership and power to those who keep their own assets intact and who are in a position to create credit'. They went on to recall the memorable lines attributed to Andrew Mellon, an American banker and former Secretary of Treasury during the Great Depression: 'In a depression assets return to their rightful owners'.

Dynamics of Recurrent Financial Crises: Structural Instability and Agential Greed

What the global crisis has unveiled is the unfettered ascendancy of finance capital and its eventual burst, gluttonously squeezing out value out of already created value at the expense of the stagnation of the real economy, and hence prospective technological innovation and employment. The unfolding world economic crisis 'manifests (the) huge, unresolved problems in the real economy that have been literally papered over by debt for decades, as well as a financial crunch of a depth unseen in the postwar epoch. It is the mutually reinforcing interaction between weakening capital accumulation and the disintegration of the financial sector that has made the downward slide so intractable for policy makers and its potential for catastrophe so evident' (Brenner 2009). As a result of neo-liberal finance relaxation (cf. Panitch and Konings 2009), finance capital has ventured into unbridled speculative adventurism instead of acting as lifeblood of the real economy. For instance, the so-called 'sovereign wealth funds' (SWFs), which gained prominence in the 2008 World Economic Forum due to its growing financial clout now estimated to be around USD 4 trillion, are state assets coming from natural resource earnings, surplus, and savings. These funds were traditionally utilised to serve and strengthen the productive sector. But an investigation of their investments today would point to the fact that almost all of the assets are allocated to financial services and instruments in the forms of stocks, bonds, and equities and just a few single-digit percentages for infrastructure projects and the productive sector. These include the big SWFs in Alaska, Alberta, Abu Dhabi, Norway, and Singapore.

The shifting roles of money in the development of the real economy in the history of global capitalism are best depicted by Arthur Cecil Pigou in his *Veil of Money* (1949, as cited in Perez 2002: 6):

In the years preceding the First World War there were in common use among economists a number of metaphors . . . 'Money is a wrapper in which goods come'; 'Money is the garment draped round the body of economic life'; 'money is a veil behind which the action of real economic forces is concealed' . . .

During the 1920s and 1930s . . . money, the passive veil, took on the appearance of an evil genius; the garment became a Nessus shirt; the wrapper a thing liable to explode. Money, in short, after being little or nothing, was now everything . . .

Then with the Second World War, the tune changed again. Manpower, equipment and organisation once more came into their own. The role of money dwindled to insignificance....

Far from Polanyi's (1957) description of money, together with land and labour, as a 'fictitious commodity' because it was not 'produced for sale' (see also Jessop 2007), the view towards money in this epoch of neo-liberal globalisation has gone back to its 1920s and 1930s moment. The accumulation process at this time entails money's self-reproduction through speculative activities and other innovative financial instruments like derivatives, which Warren Buffet (2002) regards as lethal 'financial weapons of mass destruction' and 'time bombs' susceptible to explode and cause the implosion of the entire economic system. Interestingly, it is at times when money was treated as 'everything' that major crises occur and recur—that is, the Great Depression of 1929 and the Great Recession of 2008.

Several important complementary mechanisms can also be identified that contributed to the domination of finance and the stagnation of the real economy, namely: the vicious effect of compound interests, the relationship of technology with finance, and the 'natural' instability of financial markets (Reinert 2008).

Compound Interests

Borrowers often underestimate the effect of compound interests in financial transactions. Left unattended, especially at this moment of a fiat monetary system that has replaced the gold standard, compound interests could grow *ad infinitum*. The English economist, Richard Price (1769, as cited in Reinert 2008) made an intelligent calculation: 'A shilling put out at 6% compound interest at our Saviour's birth would . . . have increased to a greater sum than the whole solar system could hold, supposing it a sphere equal in diameter to the diameter of Saturn's orbit'.

The finance historian Michael Hudson (2000, 2007), who has been studying the economic origins of modern civilisation, made an important point that demands recall today:

The limits-to-growth warnings proved to be premature a generation ago, but one cannot say the same thing for the growth of debts/savings at compound interest year after year. Any statistician plotting the growth of an economy's debt quickly finds that existing trends are not sustainable. The growth of debt has become the major cause of economic downturns, austerity and financial polarization, creating financial crashes and, in severe cases, social crises. (Hudson 2000: 310-311)

Indeed, what differentiates money from other forms of capital and commodities is the fact that money is limitless (see Harvey 1982 [2007]).

Technological Revolutions and Financial Bubbles

In her groundbreaking historical study of the changing relationship between technological revolutions and finance capital which is akin to a research on long waves, the Venezuelan

economist Carlota Perez (2002) has shown the existence of remarkable dynamic regularities and recurrent sequences of change in the capitalist system. In particular, financial markets are said to have a 'love affair' with a new breakthrough technology. This was evident, among others, with the boom-bust cycles of the US Steel Corporation's market shares at the beginning of the 20th century as the techno-economic paradigm was transitioning from the 'Age of Steel, Electricity and Heavy Engineering' to the 'Age of Oil, Automobiles and Mass Production' and of the Microsoft Corporation at the deployment period of the ICT from the 1970s until the bursting of the dot-com bubble in 2001.

The history of technological revolutions, which is inescapably linked with the power of finance capital, is one of continuity of the nature and logic of the capitalist system, of recurrence of its historical structure. At the irruption of a technological revolution, configured in a particular techno-economic paradigm, all existing industries and activities are modernised. The process of diffusion of this historical moment across the economy constitutes a great surge of development. Each surge that approximately lasts for a half century has two distinct periods (namely, the installation period and the deployment period), which are mediated by a turning point. Each of these periods in recurring sequence then undergoes four phases (with each phase lasting around a decade): irruption, frenzy – turning point – synergy and maturity. As a result, this massive economic transformation involves complex processes of social assimilation which may also require the adaptation of socio-institutional framework to each paradigm, and the eventual need for a process of 'institutional creative destruction' for the introduction and diffusion of the next technological revolution (Perez 2002; see also Juego 2009). With an understanding of this seeming historical regularity of boom-bust cycle between technology and finance, the collapse of the Internet bubble is no cause for surprise. The kind of euphoria brought about by the excitement in new technology and in financial mania in the global economy, eventually leading to a recession, is nothing unprecedented. The same logic of the changing relationship between technological revolutions and finance capital that shapes the pattern of economic cycles can be extrapolated to the current global recession. Reinforcing this structural logic in finance and technology are the greedy and corrupt economic elites like the Parmalat speculative activities and the Enron fraudulent practices just a few years ago and that of the egoistic and egotistic 'too-big-to-fail' financial institutions like AIG and Lehman Brothers recently. However, this perspective on the love affair between new technology and financial capital should also be understood in the context of the role of the state and the military industrial complex as initiator and controller of capital and labour inputs to the emergence of the techno-economic paradigm in times of busts and booms.

Inherent Instability of Financial Markets and the Greedy Economic Elites

The post-Keynesian economist Hyman Minsky (1992) makes an important hypothesis on the inherent instability of the financial markets that can help explain the logic of repeated financial crises under capitalism. Well-known for his contribution on 'Ponzi finance', Minsky also highlights the idea of 'endogenous instability' in financial markets which means 'that stability in the economic system generates behaviours that produce fragility, and increasing fragility makes the system more prone to an unstable response to change in financial or other conditions that are relevant to the return on investment projects' (Kregel 2008: 1). In other words, sustained periods of stability as such inevitably produce increasing fragility. This analysis, however, may be more suitable in the case of developed economies with 'advanced' financial system like the US and the Europe where banks and other credit actors play prominent roles in financial transactions. In developing countries like the Philippines and

India, for example, where the majority of labour and economic transactions are in the informal sector, businesses are established and conducted through channels other than banks such as borrowing money from friends and family and using personal savings.

Bankers are believed to be inherently pessimistic towards the prospective returns of borrowers. This is even more the case in poor countries with fragile institutions. It is perhaps safe to assume that lending agents are more skeptical in poor countries because of the high risks involved. Nevertheless, the rich and the poor equally feel the scourge of Ponzi finance, which is a type of finance where expected revenues cannot even afford either principal or interest payments resulting in the subjection of agents to increasing debt. Third World debt is a classic and ugly example of a Ponzi finance scheme perpetuating the unjust process of what Gunnar Myrdal refers to as 'perverse backwashes' in which funds tend to flow from the poor to the rich.

Subprime loans are also considered a Ponzi scheme in which financial institutions redefine the rules of the game where, especially in times of crisis, they no longer compete for market share but instead pull out or withdraw from the transaction in order to be more liquid. Under this condition of liquidity preference, even 'sound' projects are refused credits, and hence a downward spiral starts (Reinert 2008). The repeal of the 1933 Glass-Steagall Act with the legislation of Financial Services Modernization Act in 1999 (see Panitch and Konings 2009) resulted in the recurrence of Ponzi schemes. This banking 'deregulation' law changed the historical role of banks of being responsible for assessing creditworthiness and including risks in their balance sheets. Credit rating agencies have replaced their traditional role. It has been revealed during the subprime crisis that banks have been selling 'junk packages' of subprime loans that were not on their balance sheets (see Kregel 2007, 2008).

In his statement at the hearing of the US House Financial Services Committee on 'The State of the Bond Insurance Industry', William Ackman (2008: 2), managing member of the investment adviser Pershing Square Capital Management, has pinpointed the problem in the US bond insurance industry:

The poor decisions of holding company executives are the primary cause for the bond insurers' problems, but the rating agencies also share responsibility.

The rating agencies encouraged the bond insurers to diversify into structured finance risks and gave them additional rating credit for doing so. The rating agencies understated the risks of the new strategy while earning much higher fees for rating these structures.

The rating agencies' profits soared along with the growth in structured finance issuance. Insurance regulators relied on the rating agencies and management teams to assess the risk of these new structures.

The rating agencies were paid by the issuers of these securities and helped in structuring these exotic instruments to meet the ratings agencies' insufficient standards for Triple A ratings. The rating agencies only received their full fees if they approved the Triple A ratings for these transactions.

The combination of aggressive risk taking by management, poor judgment by conflicted rating agencies, and over-reliance by regulatory authorities on rating agency judgment led to the current situation.

This revelation from an insider manifests again the ineptitude, corruption, and unrestrained greed of the economic elites, exacerbating as well as accelerating the structural imperatives of the endogenous instability and inherent fragility of the financial markets.

Fundamentally the Same Responses to the Global Crisis

There have been varying responses from individuals, states, and global institutions to the current crisis which could nevertheless be divided into, broadly speaking, three general schools of thought: Schumpeterian, Keynesian, and Marxist. The Schumpeterian responses are proposals coming from evolutionary economists who together with market fundamentalists basically argue to ‘let the system burn out alone’. The Keynesian responses—which have in a paradox received support even among ‘free market’ ideologues—come from international organisations and individual governments trying to ‘repair the system’. And the Marxist responses are from organic, critical intellectuals, civil society, and global justice movements—who have long been criticising the current mode of production linked with the destruction of the environment—pushing to ‘replace the system’.

The Schumpeterians are perhaps the most complacent and even welcoming of the crisis for two reasons. First is that the history of booms and crises is in the logic of business cycles. And second is that, as Joseph Schumpeter (1939) observes in his study of business cycles: ‘Times of innovation ... are times of effort and sacrifice, of work for the future, while the harvest comes after.... The harvest is gathered under recessive symptoms and with more anxiety than rejoicing.... [During] recession ... much dead wood disappears’.

The Great Recession of 2008 is said to have ushered in a Keynesian redux especially in economic policy-making. Keynesians, together with their post-Keynesian colleagues, call for the repair of the system but without encouraging the irrationally exuberant behaviour that caused the crisis. They have various proposals ranging from the use of monetary policy to countercyclical fiscal policy, to the enforcement of policy coordination at national and global levels, to the establishment of the New Bretton Woods, and to the creation of a world currency unit. But what is striking among the Keynesian proposals was John Maynard Keynes’ (1933 [1972]) idea of national self-sufficiency with a call for the nationalisation of finance: ‘Ideas, knowledge, science, hospitality, travel—these are the things which should of their nature be international. But let goods be homespun whenever it is reasonably and conveniently possible, and, above all, let finance be primarily national’.

The Marxists have been the most vocal about the inherent crisis and contradictions of capitalism. They see that capitalism lives by crises and will be accompanied by crises to its grave. Basically, Marx’s theory of crisis has two interrelated components: crisis of overproduction and the tendency of the rate of profit to fall. First, since capitalism is a system of production for profits and not for needs, there’s a structural tendency for overcapacity which, in turn, leads to a crisis of realising surplus value. In other words, too much is produced for the capitalists to sell at a profit. And second, there is a crisis in extracting surplus value, where there is a mismatch between the increasing amount of total capital invested and the unchanging amount of surplus value generated. The disembedding of finance capital from the real economy of production is a wily attempt at overcoming this crisis through ‘innovative’ and speculative financial instruments extracting value out of already exhausted value. As Marx (1858) puts it: ‘The real barrier of capitalist production is capital itself’. Marxists argue that no amount of Schumpeterian and Keynesian tinkering with

the capitalist system can resolve the fundamental contradictions inherent in capitalism. As Marx and Engels (1848) asserted: Capitalism is ‘like a sorcerer who is no longer able to control the powers of the nether world whom he has called up by his spells’. The fundamental contradiction of capitalist reproduction therefore is the reproduction of ‘social antagonisms that spring from the natural laws of capitalist production’. In this moment of capitalist crisis again, Marxists thus call for the overthrow of the system to be replaced by a democratic socialist alternative.

Leaving the theoretically-informed responses to the global crisis the question is whether there are any significant changes at all to the visions and strategies of global governance institutions (specifically the World Bank, the IMF, and their G-20 allies), regional organisations (like the Asian Development Bank [ADB] and the Association of Southeast Asian Nations [ASEAN]), the states (in East and Southeast Asia), and the social movements (civil society and global justice movements)? One key argument of this paper is that the reactions of these actors and institutions are exactly the same or mere reassertions of the same strategies, perspectives, ideology, and visions ever since, with or without the crisis.

The World Bank, IMF and their G-20 Allies: Using the global crisis to their advantage

Over the last decade, the neo-liberal global governance institutions—the World Bank, the IMF, and the WTO—have been facing severe crisis of legitimacy and credibility. The disillusionment with these institutions come from the series of political-economic crises they themselves have inflicted on countries that they were supposed to manage, restructure, and develop. In addition to the not so well-publicised budgetary crisis, failed projects and prescriptions of the World Bank (see Woods 2006; Bello 2006), the dramas and revelations during the successive resignations of Joseph Stiglitz and Ravi Kanbur in the early 2000s demonstrated the Bank’s strong neo-classical and neo-liberal stance. The IMF received crushing blows from heavily indebted countries in Latin America, Africa, and Asia promising to never again be subjected to neo-liberal hardship. The WTO has been struggling for survival as the almost five-year long Doha Development Trade Round collapsed in mid-2006. But with the current global crisis, predictions about the imminent demise of these neo-liberal multilateral institutions appear premature, if not unfounded. In a concerted effort, they have risen up to the challenge of the crisis, not to admit and rectify errors in the past, but to reassert their presumed legitimacy and *raison d’être*.

Writing in July 2007—barely a month before the US subprime mortgage crisis became apparent—in commemoration of the 10th anniversary of the 1997 Asia crisis, the scholar-activist Walden Bello (2007), remarked about the ‘demise of the IMF’:

“Never again” became the slogan of a number of the affected governments. The Thaksin government in Thailand declared its “financial independence” from the IMF after paying off its debts in 2003, vowing never to return to the Fund. Indonesia has said it will pay off all its debts to the IMF by 2008. The Philippines has refrained from contracting new loans from the Fund, while Malaysia defied it by imposing capital controls at the height of the crisis.

Ironically, then, the IMF has become one of the key victims of the 1997 debacle. This arrogant institution of some 1,000 elite economists never recovered from the severe crisis of legitimacy and credibility that overtook it—a crisis that was deepened by the bankruptcy of its star pupil Argentina in 2002. In 2006, Brazil and Argentina, following

Thailand's example, paid off all their debts to the Fund in order to achieve financial independence. Then Hugo Chavez let the other shoe drop by announcing that Venezuela would leave the IMF and the World Bank. This boycott by its biggest borrowers has translated into a budget crisis for the IMF.

But in less than two years, the global crisis has turned the tide, and it has also resulted in a revival of the IMF. Perhaps the happiest person in the world at this time of crisis is none other than Dominique Strauss-Kahn, Managing Director of the IMF, who triumphantly expressed during the G-20 Press Conference on 2 April 2009 that the: 'IMF is back. Today you get the proof when you read the communiqué, each paragraph, or almost each paragraph—let's say the important ones—are in one way or another related to IMF work' (IMF 2009b).

Ironically, the very same countries that suffered from decades of IMF conditionalities identified by Bello—specifically, Argentina, Brasil, and Indonesia which are now part of the G-20 following the G-7's expansion in 1999 to include emerging economies—were the ones who breathed new life to the Fund and thereby affirmed its legitimacy and relevance. The G-20 Summits in London (April 2009) and Pittsburgh (September 2009) have affirmed the International Financial Institutions' (IFIs) 'important role in supporting (G-20's) work to secure sustainable growth, stability, job creation, development and poverty reduction. It is therefore critical that (they) continue to increase their relevance, responsiveness, effectiveness and legitimacy' (G-20 2009d: para 5). In addition, the new project for economic cooperation enshrined in the *G20 Framework for Strong, Sustainable and Balanced Growth* will be assisted and 'supported by IMF and World Bank analyses' (G-20 2009d: para 3; see also G-20 2009a, 2009b, 2009c.). This in effect makes the G20 another strategic institution, notwithstanding what they proclaim as an 'informal forum', through which the World Bank and IMF agenda are expressed and, more importantly, legitimised. However, despite the G20's claim that they enjoy legitimacy, credibility, and economic weight, the hundreds of vulnerable and marginalised poor countries outside the Group are not represented and hence neglected. The crisis that could have killed the IMF and World Bank is also the one that has resurrected it. And the countries that were supposed to disdain them were also the ones who retain them.

While the world awaited the G20 Summit in London in April 2009 and some hoped for a possibility of change in the global economic architecture, one could easily predict the crisis responses of the G20 member countries, especially those of the World Bank and the IMF. A close reading of the policy prescriptions of the World Bank and IMF re the global crisis documented prior to the G20 London Summit could already give the idea of their agenda for the Summit: that is, the crisis offers an opportunity not to retreat from the global neo-liberal project but to further advance a truly open international financial architecture and competitive markets that are coordinated, regulated, and enforced by them at the global scale.

The World Bank's, *Global Monitoring Report 2009: A Development Emergency* echoes exactly the same neo-liberal programme and project that it has been pursuing from the early 1990s to present (see Cammack 2003, 2009a, 2009b). In particular, the Bank's six priority areas are: [1] fiscal response to ensure macroeconomic stability; [2] prominent role of the private sector in investment, business, enterprises, finance, trade, and business to improve stability of the financial system; [3] 'leveraging the private sector's role in the financing and delivery of services'; [4] prescribing national governments to 'hold firm against rising protectionist pressures and maintain an open international trade and finance system'; [5] expediting the completion of the Doha negotiations; and [6] assertion of the 'key role' of the

World Bank and the IMF ‘in bridging the large financing gap for developing countries resulting from the slump in private capital flows, including using their leverage ability to help revive private flows’ and thereby calling for the necessity for them to ‘have the mandate, resources, and instruments to support an effective global response to the global crisis’ (World Bank 2009: xii). A couple of days before the London Summit, World Bank President Robert Zoellick (31 March 2009, prior to the G-20 Meeting) repeated the same script pushing for an agenda to revitalise the multilaterals, namely: ‘a WTO monitoring system’ to complete the Doha negotiations; a monitoring role for the IMF to assess stimulus packages; and ‘an overhaul of the financial regulatory and supervisory system’ in which authority over regulation rests on national governments under an expanded Financial Stability Forum, which works ‘with the IMF and the World Bank group on implementation’ (Cammack 2009b).

IMF’s *Initial Lessons of the Crisis for the Global Architecture and the IMF* released in February 2009 sees the crisis as ‘a unique opportunity ... to make progress on seemingly intractable issues’. Here the IMF has resolved not to miss the moment. While the IMF acknowledges that ‘(t)he crisis has revealed flaws in key dimensions of the current global architecture’, the bottom line is that they uphold long held principles and propose to impose same policies again and again such as: [1] surveillance mechanisms that were first articulated after the 1997 Asia crisis and the dot-com bust in 2001 to allow them to detect vulnerabilities and risks at an early stage for their timely intervention; [2] that they be strengthened and mandated ‘to take leadership in responding to systemic concerns about the international economy’; [3] rules governing cross-border finance; [4] that they be given ‘readily available resources’ ‘for liquidity support and easing external adjustment’ (IMF 2009a: 13).

The Asian Development Bank and the ASEAN: Banking-as-usual for the private sector and for free flow of capital, goods, services and investment

The Asian Development Bank (ADB) proactively responded to the fiscal needs of its developing member countries affected by the global crisis through ‘lending assistance’ amounting to USD 32 billion for the period 2009-2010 (ADB 2009). As expected, it is banking-as-usual for the ADB—these are ‘loans’ extended to needy Asian countries to be paid from five to 15 years whose interest rates are determined by the London Interbank Offered Rate (LIBOR) either on a floating-rate or fixed-rate basis (see ADB 2008). Typical of ADB’s agenda and priorities for the private sector since time immemorial, 44% of the loan are for programmes to stimulate growth and restore private sector confidence; 35% for countercyclical support facility (a new short-term loan extended to middle-income member countries) for structural reforms toward an attractive investment climate; 12% for trade facilitation to support private sector development; but only 6% for infrastructure and a measly 3% for social protection (see ADB 2009). Of course, the debtor governments (read: the people and the tax payers) guarantee these loans, absorb all the risks, and are accountable even when the private sector fails and is responsible for the crisis.

A month prior to the G20 London Summit, the ASEAN Heads of States/Governments had its 14th Summit in Cha-am Hua Hin, Thailand and had a caucus on 1 March 2009 to discuss the global economic and financial crisis and come up with their agenda which Indonesia, the only ASEAN member country of the G20, is ought to convey to the G20 leaders. What the caucus’ final statement declares are exactly of the same theme, and even using the same words, that the World Bank, IMF, and ADB spelled out in their respective responses to the global crisis. The ASEAN leaders: concurred [a] ‘to restore market confidence and ensure continued financial stability’; [b] ‘welcomed expansionary

macroeconomic policies, including fiscal stimulus' and 'measures to support private sector, particularly SMEs'; [c] 'stressed the importance of coordinating policies'; [d] 'reaffirmed their determination to ensure the free flow of goods, services and investment, and facilitate movement of business persons, professionals, talents and labour, and freer flow of capital'; [d] 'agreed to stand firm against protectionism and to refrain from introducing and raising new barriers'; [e] 'agreed to intensify efforts to ensure a strong Doha Development Agenda outcome'; [f] 'develop a more robust and effective surveillance mechanism'; [g] 'welcomed the new Asian Bond Markets Initiative Roadmap'; [h] called for 'more coordinated action by both developed and developing countries ... to restore financial stability and ensure the continued functioning of financial markets to provide support to growth'; and [i] 'called for a bold and urgent reform of the international financial system' (ASEAN 2009c). This declaration is simply coherent with ASEAN's commitment towards the neo-liberal ideals of free trade, competitiveness, and an open market economy being institutionalised over the last decade and will be pursued in the years to come. With the adoption of the ASEAN Charter at the end of 2008, ASEAN member countries have expressed their commitment to deepen Asian integration, patterned after the EU, towards the creation of a single market and productive space by 2015 (see ASEAN 2009a, ASEAN 2009b). Rather than being cautious of the promises of free trade under conditions of the current crisis, ASEAN has had sealed investment and free trade agreements with countries in the Asia Pacific (Australia and New Zealand), East Asia (South Korea and China), and South Asia (India) almost every month from February to August 2009.

UN Commission of Experts on Reforms of the International Monetary and Financial Systems: Heterodoxy Rearticulated

On November 2008, the President of the UN General Assembly convened a Commission of Experts to study the global crisis and propose reforms on the international monetary and financial systems. The experts include a school of heterodox economists and activists, namely: the Keynesian Joseph Stiglitz as chair, the critical political economist Jomo KS and the Hirschmanesque José Antonio Ocampo as members, the post-Keynesian/Minskyian Jan Kregel as rapporteur, and the World Social Forum activist François Houtart as special representative. To those familiar with the works and advocacies of these experts, the 139-page final report can be read as a summary of the essentials of the Commission members' lifelong experiences and writings as policy-makers, scholars, and activists. They articulated in the deliberations and put in the final report their long held heterodox economic ideas and critic against neo-liberal globalisation formulated in words that meet the exigencies of the current global crisis.

As longtime critics of market fundamentalism that has shaped mainstream development policy and discourse for the last 35 years or so, the Commission of Experts started their conclusion with a remark that 'the crisis is man-made' (UN 2009: 132):

The crisis is not just a once in a century accident, something that just happened to the economy, something that could not be anticipated, less alone avoided. We believe that, to the contrary, the crisis is man-made: it was the result of mistakes by the private sector and misguided and failed policies of the public.

Eight common themes have been laid out in the analysis: [1] growing inequalities in most countries in the world; [2] the global scope of the crisis that requires responses from a global perspective; [3] existence of large global asymmetries, specifically asymmetric responses

between the developed and developing countries that perpetuates the unjust transfer of funds from the poor to the rich countries that have caused the conflagration in the first place; [4] inadequate financial regulation; [5] the mismatch between the pace of economic globalisation and the development of political institutions both at the national and international levels; [6] the pervasiveness of externalities, an instance of market failure that renders the ‘efficient market hypothesis’ meaningless—this in turn calls for coordination of global financial regulation and the availability of resources especially for the developing economies to conduct countercyclical fiscal policies; [7] financial ‘innovations’ that failed to manage risks and enhanced problems of information asymmetries, and the problems of too-big-to-fail, too-big-to-be-resolved banks as results of inadequate competition laws and enforcement deficiency; and [8] crisis as both opportunity (to engage in reforms) and danger (power structures reinforcing inequalities and inequities).

The Commission then went on to propose a large number of recommendations taking their heterodox economics perspective as point of departure including: [a] creation of institutions to coordinate global economic policy such as Global Economic Coordination Council and International Panel of Experts; [b] the need for a New Credit Facility with governance structure responsive to the needs of both lenders and borrowers; [c] reform in the systems of risk management, including the sharing and transferring of risks from those less able to bear them to those more able to do; and [d] addressing the problem of insufficient aggregate demand even after the crisis which makes it imperative for fundamental reforms such as a new global reserve system and for a careful ‘exit strategy’ from existing stimulus policies.

Global Civil Society: ‘We told you so!’

‘We told you so’ has become a prominent slogan of the critics of neo-liberal globalisation as the cacophony of crises exploded and shook the world. The analysis of the global civil society expressed in various people’s forums and channels since the 1990s have been vindicated by the global crisis. They are therefore proposing alternative futures that they have long been articulating, hoping that the global crisis would usher in a much more caring and just world. For instance, the World Social Forum (WSF) and the Asia-Europe People’s Forum (AEPF), which are broad networks of civil society and social movements across the globe, have looked at the global crisis as ‘an opportunity for another world’ and ‘an historic opportunity for transformation’, respectively. The WSF is said to have been ‘revitalized by the global crisis’ as renewed interests in their call for ‘Another World Is Possible’ arise (Osava 2008). The AEPF likewise continues to critic neo-liberal globalisation and reiterates the policy reforms and programmes in the areas of politics, economics, and culture constantly formulated in their biennial Forums since 1998 in accordance with their founding principles for a people-centered peaceful, developed, and democratic world (see AEPF 2009).

Yet, the global civil society is confronted with a paradox at this moment of the global crisis: the crisis simultaneously *weakens* and *activates* the social forces of change and alternatives. While the global civil society has been vindicated, at least in their analysis and call for change, the pro-neo-liberal forces have been in concert in recovering the system and the maintenance of the status quo (see Bienefeld 2007; Schmidt 2009). If there is an increasing need for change to the crisis-prone global capitalist system, the forces of alternative futures are faced with a Gramscian and a Marxist realpolitik which render them incapable to eliminate the recurrent social and economic disasters endemic to the capitalist system.

This is the great Gramscian realpolitik challenge to the alternative forces: ‘The crisis consists precisely in the fact that *the old is dying and the new cannot be born*; in this interregnum a great variety of morbid symptoms appear’ (Gramsci 1971). And once again, it is as if Marx (1852) is speaking to the alternative forces of today about the great, all-time contradiction in struggle for social change:

(People) make their own history, but they do not make it as they please; they do not make it under self-selected circumstances, but under circumstances existing already, given and transmitted from the past. The tradition of all dead generations weighs like a nightmare on the brains of the living. And just as they seem to be occupied with revolutionizing themselves and things, creating something that did not exist before, precisely in such epochs of revolutionary crisis they anxiously conjure up the spirits of the past to their service, borrowing from them names, battle slogans, and costumes in order to present this new scene in world history in time-honored disguise and borrowed language.

Lessons from Authoritarian Liberalism in Asia

An emerging political-economic regime is being institutionalised in East and Southeast Asia. It is called ‘authoritarian liberalism’, where authoritarian polities are embedded in a market economy. It is also within this framework that these parts of Asia are responding and progressing during the global crisis and this region provides important lessons in order to understand the eventual and most probable outcome of the present global recession (Schmidt 2008a, 2008b).

Asian Political Economy: Neoliberal Economies Embedded in Authoritarian Polities

There are two mainstream theses that cannot explain contemporary political economy of East and Southeast Asia under conditions of global capitalism: first is the ‘democratic peace’ that claims that democracies do not go to wars against each other; and second is ‘modernisation theory’ of the hyperglobalist that says that globalisation necessarily creates a world of liberal democracies.

The US-led war on terror, launched in Asia in early 2000s as a response to the 9/11 terror attacks, seems to have provided ‘exceptional’ powers to Asian governments, expanding their discretionary powers of detention and surveillance. Asian (semi-)authoritarian regimes have become strategic sites of opposing terrorism. The human rights situation in Asia after the events of 9/11 is alarming. In recent years, Asia has hit the headlines with the numerous cases of outright killing of human rights defenders and journalists in the Philippines and the heartless killing and harassment of monks and their sympathisers in Burma. These killings pose serious threats to freedom of expression and constitute a violation of the right to life.

Post-9/11 Asia is by far a region of authoritarianisms—a security complex of authoritarianisms. Regional stability seems to come from a ‘peaceful coexistence among authoritarianisms’, rather than among democracies, following the policy of non-interference which every government in the region normatively proclaims. The region is progressing towards the resurgence, or deepening of, a variation of authoritarianisms: (semi-)authoritarian regimes in China, Malaysia and Singapore; the military government in Myanmar; the

influence and prominent role of the military and monarchy in Thailand; the monarchy in Brunei; one-party rule in China, Laos, Cambodia, and Vietnam; a military general leadership, culture of impunity, and continued militarisation in Aceh and Papua in Indonesia; and an administration predisposed to authoritarianism and the militarisation of the cities and countryside in the Philippines (see Juego 2008a). Time and again, numerous researches conducted to guide policies for protecting human rights have identified the conditions under which governments and people are most likely to commit large scale murder, torture, and arbitrary imprisonment. They conclude that authoritarianism, alongside war and poverty, can lead to large scale human rights violations.

The toppling of two military regimes—Ferdinand Marcos’ in the Philippines in 1986 and Suharto’s in Indonesia in 1998—were regarded as ‘democratic moments’, signalling the process of democratisation in the broader region. This comes at a time when the dominant discourse from mainstream scholars and policy-makers prophesies that economic liberalisation encourages the development of liberal and democratic modes of governance. The mainstream assumes that the liberation of a self-reliant and progressive middle class from authoritarian rule was a functional requirement of well-managed markets. Today, such a claim appears hollow. Theoretically, the model of liberal democracy generally proposed in the transitions literature was always thin. It alienated the idea of democracy from its social connotation as popular power in favor of ‘formal’ and procedural criteria, symbolised above all by the holding of regular multi-party elections and the ‘effectiveness’ of political institutions. The principles and associated practices of people’s sovereignty, including the accountability and responsiveness of governments, and political expression and participation by voters and citizens, hardly featured at all in this research programme. Empirically, Asia appears to demonstrate a quite different prospectus from this dominant discourse—characterised by limited accountable government, relatively unfree and unfair competitive elections, partially curtailed substantial civil and political rights, and compromised associational autonomy. In fact, neo-liberal globalisation and its crisis prone economics may mean the end of liberal democracy rather than its triumphant ascendancy. Historically, if there is any cogent lesson that the past two decades have shown about the relationship between democracy and political-economic regime, it is that a market economy can thrive and survive even without democracy (Juego 2008a). Asian elites do not necessarily become forces for political liberalism and democracy; they can be downright illiberal and anti-democratic so long as it serves their interests (Rodan et al. 2006).

The 1997 Asia crisis accelerated the reorganisation of state authority and regulatory frameworks that were already in train long before the crisis in East and Southeast Asia. Central to these political-economic forms is ‘the emergence of the new regulatory state, which is directed towards the production of economic and social order within a globalised economy’ (Jayasuriya 2005; see also Jayasuriya 2000 and 2001). The rationale behind this attempted transformation of political authority is clear. Through the provision of new regulatory frameworks, the state seeks to insulate a range of key economic institutions from the influence of democratic politics and thereby safeguard the market order. The outcome is an explicit linkage between authoritarian politics and a rules-based mode of governance in a range of economic policy areas. It is, in Jayasuriya’s (2001: 8) memorable phrase, ‘a politics of anti politics’.

1997 Asia Financial Crisis

Looking back on the 1997 Asia financial crisis experience, the political strategies and social policies carried out in response to it had been detrimental to democratisation, human rights, and the poor.

First, the crisis provided the political, economic, and intellectual justification for authoritarian rule—couched in the language of ‘Asian values’—especially among Asian elites (notably in Malaysia, Singapore, China, and Thailand). These elites also came out to explicitly repeat the inappropriateness of Western European welfare state system.

Second, the crisis had sidelined human rights obligations on civil and political rights in the name of surveillance and internal security (such as in Malaysia and Singapore) and on social and economic rights in the name of belt-tightening measures (resulting in the reduction of social spending in many countries like Indonesia, the Philippines, and Thailand).

And third, the policy responses to the crisis coming from governments and international institutions were designed to save and protect the market, businesses, and corporations. For instance, the Second Asia-Europe Meeting (ASEM-2) held in London in 1998 created the ‘ASEM Trust Fund’ which eventually proved to be lacking in political will and institutional mechanisms to ensure that the fund targets the poor and the workers who were the most vulnerable and adversely affected groups during the crisis.

In short, in times of crisis democratisation may be stalled, human rights compromised, and the poor severely neglected.

The ASEAN 2015 Project Towards a Single Market

The crisis responses of East and Southeast Asian states are bold and explicit that there is no backtracking on authoritarian liberalism. The multi-billion dollar economic stimulus packages carried out by these countries as well as the multi-million loans they have received from the ADB are all directed and oriented towards economic growth recovery, private sector assistance, and an open market economy, and less on social protection for the poor (see ASEAN Affairs 2008; ADB 2009). Still, in a highly volatile political-economic situation there are risks that these billions of dollars can generate sharper budget deficits and even lead to another debt crisis. In fact, it is in the context of the three successive major economic crises in the last decade—the 1997 Asia crisis, the 2001 dot-com bubble collapse, and the 2008 Great Recession—that a daring project for an ASEAN single market by 2015 has been launched following the ratification of the ASEAN Charter on December 2008. Add to this, as already mentioned above, is a series of trade and investment agreements in the region have been signed and adopted in the first half of 2009, namely: ASEAN free trade agreements with Australia and New Zealand, investment and trade in goods and services within ASEAN itself; ASEAN investment agreements with South Korea and China, and ASEAN trade in goods agreement with India.

All these commitment to an open, competitive market economy are expressed only on paper. But the *realpolitik* is at the national level of individual member countries. Asian elites are much more responsive to their personal interests than to their ideological commitment. They can be profoundly anti-market and counter-competitive so long as it serves their interests.

Concluding Remarks

We have addressed four inter-related themes in this paper with the hope of contributing to a critical understanding of the dynamics in contemporary political economy in the context of the cacophony of crises in today's global capitalism: [a] the constitutive role of crises in the evolution of neo-liberalism; [b] the mechanisms of the recurrence of financial crises with emphasis on the structural instability of financial markets to disintegrate that has been exacerbated by the greedy, corrupt, and inept economic agents especially the economic elites but carried out by political elites; [c] the fundamentally similar responses of both pro- and anti-neoliberal forces articulated long before the global crisis; and [d] the probable strengthening and even acceleration of emergent authoritarian liberalism in East and Southeast Asia in the context of the global crisis. The discussion in this paper also points to four conclusions.

First, crises play a constitutive role in the evolution of neo-liberalism. That is to say, neo-liberalism was born out of the crises of the mid-1970s, has evolved through a series of crises over the last 35 years, and died of the cacophony of crises culminating in the current global crisis. (Neo-liberalism has died only in form of market fundamentalism, but not in the substance of capitalism as a specific capital-labour relation and a process of capital accumulation). As it shows, crises have so far been functional, rather than dysfunctional, to neo-liberalism in the following sense:

1. Crises *reshape class and social relations* but in ways that perpetuate the hegemony of capital over labour and the preservation of elite rule.
2. Crises *restrategize development plans* of institutions from international organisations to states to further advance, not retreat from, market-led development.
3. Crises *restructure states and societies* in which social institutions are oriented towards the logic, requirements, and imperatives of neo-liberalism.

Second, the structure of financial markets is endogenously fragile—that is, long periods of stability in the market lead to instability. This inherently unstable structure of financial markets is reinforced by the greed, corruption, irresponsibility, and ineptitude of economic elites that in turn accelerates and aggravates the crisis. It is this vicious structure-agency interaction that keeps financial crises recurring. The limitlessness of money, in contrast with the limited nature of other forms capital, in the epoch of global capitalism essentially reinforces the domination of finance and the stagnation of the real economy. But then again, as the global crisis pushes up the limits of the finite planet, the wisdom coming from a prophecy of the Cree American Indian tribe is worth a serious reflection:

Only after the last tree has been cut down.
Only after the last river has been poisoned.
Only after the last fish has been caught.
Only then will you find that money cannot be eaten.

It would thus be of crucial importance not to miss this moment of crisis to question the limitlessness of money and to rethink *invaluable* economic activity that is not merely reduced to what is valuable. GDP, for instance, is nothing but an aggregate of value created in the

economy writ large. But treating it as the paramount measure of productive economic activity contributes essentially to securing the hegemony of the commodification of human life.

Third, people and groups from all ideological positions look at the global crisis as both danger and opportunity. They particularly look at the crisis as an opportunity to advance their respective causes and interests. The UN Commission of Experts (2009) perfectly captures the dynamics of the struggle at hand:

This crisis should be seen as an opportunity to engage in necessary reforms. Historically, moments of crises often provide a rare chance for fundamental reforms that would otherwise be impossible. But there is also a danger: existing power structures can seize hold of these moments of crisis and use them for their own benefit, reinforcing inequalities and inequities. There may be a greater concentration of economic and political power after the crisis than before. This has happened in the past and seems to be happening in this crisis in certain countries, as the share of the too-big-to-fail banks has increased even further (UN 2009: 36).

Indeed, to explore opportunities is sensible, but the danger posed by the existing power structure that has been deeply entrenched in history is a cause for vigilance.

The responses to the global crisis from the multilaterals, to regional organisations, to states, and to civil society, coming from either proponents or critics of neo-liberal globalisation, are *fundamentally the same* through the years, with or without crisis. The pro-neoliberal forces are not retreating from unfettered market-led development, but rather further advance their longtime pro-market projects and programmes with stronger and better institutions. And the anti-neoliberal forces continue to critic attempts to recover neo-liberalism and reassert their call for alternative futures. As the song goes, ‘The fundamental things apply as time goes by’. There is however differential catastrophic impacts across social classes, especially among the poor, marginalised, and vulnerable sectors. As always, crises all the more inflict insecurity, instability, and ruin on the lives of workers, the masses, and the poor.

And finally, there is a movement towards the institutionalisation of authoritarian liberalism in East and Southeast Asia. It is within this emergent political-economic regime (market economies in a framework of authoritarian polities) that countries in the region are responding to the crisis. With the adoption of the ASEAN Charter and thereby the ASEAN Economic Community Blueprint, the 10 member countries have categorically committed themselves to the furtherance of free trade, competitiveness, and an open market economy; thus the perpetuation of a neo-liberal order. However, the feasibility of this vision comes into conflict with the realpolitik of the nature of Asian elites—that is, it is their respective interests, not ideology that matter at all times.

There are growing clamors for holding the US accountable for unleashing ‘financial weapons of mass destruction’ and sparking a global market ‘tsunami’ with the effect of disarming and impoverishing the marginalised even more. The financial crisis has further stagnated the real economy, created downturns and recessions in both the advanced industrial and emerging economies. It appears that 1929 is repeating itself with a world economy sliding even towards a new Great Depression. The deep systemic causes of this unfolding social and environmental catastrophe under the cacophony of crises are related to the growth of endless consumption, increasing levels of inequality, and the unwise institutional pathology which, to a very large extent, has been induced by US administrations. The neo-

liberal imperative has depleted the natural life support system of the planet, disrupted hydrology and climate systems, and is indeed threatening human survival. Non-renewable natural and human resources are being exhausted. There are also horizontal links and close connections between the failures of capitalism and the depletion of oil. Scarcity of water and oil is already a security issue that has led to conflicts. Climate change, which was earlier interpreted as a transnational ethical problem, has become a major political issue and might increasingly be identified as a security concern. This is especially the case when it is linked to the systemic failure of the current mode of production—no matter the type of political and institutional layer in which the market economy is embedded in. In principle this crisis could be resolved by a major systemic shake-up, involving (for example) new economic doctrines and new forms of international relations. But this time it is more unlikely for two reasons. First, non-renewable natural and human resources are being exhausted and no form of capitalism can resolve that (Biel 2000). And second, based on historical experience the decline of US hegemony—a declining superpower armed to the teeth—is unlikely to give up power voluntarily (Schmidt 2008a, 2008b).

As always, when the capitalist system is in crisis, it is the poor, the workers, and the masses who suffer the most. The global crisis is above all a reflection of capitalism's structural contradictions and the moral bankruptcy of political-economic elites. Across the world, financial 'bailouts', stimulus plans, and other emergency rescue packages have been designed as 'corporate welfarism' rather than real social welfare programmes. And oftentimes, bailouts are peddled as the panacea for this crisis so as to avert the domino effect (of crisis spilling over into the entire economic system) and/or the adverse effect (of the crisis to innocent people, workers, small depositors and pensioners deeply entrenched in those too-big-to-fail financial institutions). However, these bailouts and rescue packages entail a huge problem and scandal of 'moral hazard' in which economic elites maximise their own utility without bearing the full consequences of market failure to the detriment of the poor.

Just as the previous capitalist crises gave rise to political pressures to expand social commitments so it is also the case in the recent global crisis. However, during crises the very functioning of the capitalist system cannot guarantee even the crumbs that are thrown to the workers and the poor. Genuine commitment to uplift the living standards of the poor and to real social change cannot be expected to come from the greedy elites and the powers-that-be who are now in ideological confusion, in interest preservation, and in an all-out fight for survival. Indeed, another world is necessary!

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